

Exhibit A

In The Matter Of:

***(C-"FHFA-ALL") FEDERAL HOUSING FINANCE
AGENCY, ETC.***

MICHAEL H. ANEIRO - Vol. 1
June 6, 2013

MERRILL CORPORATION

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----x

FEDERAL HOUSING FINANCE
AGENCY, etc.,

Plaintiff,

vs.

11 Civ. 5201
(DLC)

UBS AMERICAS, INC., et al.,
Defendants.

-----x

FEDERAL HOUSING FINANCE
AGENCY, etc.,

Plaintiff,

vs.

11 Civ. 6188
(DLC)

JPMORGAN CHASE & CO., et al.,
Defendants.

-----x

FEDERAL HOUSING FINANCE
AGENCY, etc.,

Plaintiff,

vs.

11 Civ. 6189
(DLC)

HSBC NORTH AMERICA HOLDINGS,
INC., et al.,
Defendants.

-----x

FEDERAL HOUSING FINANCE
AGENCY, etc.,

Plaintiff,

vs.

11 Civ. 6190
(DLC)

BARCLAYS BANK PLC, et al.,
Defendants.

-----x

WITNESS: MICHAEL H. ANEIRO

DATE: June 6, 2013

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1 -----x
FEDERAL HOUSING FINANCE
2 AGENCY, etc.,
Plaintiff,
3 vs. 11 Civ. 6192
(DLC)
4 DEUTSCHE BANK AG, et al.,
Defendants.
5 -----x
FEDERAL HOUSING FINANCE
6 AGENCY, etc.,
Plaintiff,
7 vs. 11 Civ. 6193
(DLC)
8 FIRST HORIZON NATIONAL
CORP., et al.,
9 Defendants.
-----x
10 FEDERAL HOUSING FINANCE
AGENCY, etc.
11 Plaintiff,
vs. 11 Civ. 6195
12 (DLC)
BANK OF AMERICA CORP., et al.,
13 Defendants.
-----x
14 FEDERAL HOUSING FINANCE
AGENCY, etc.,
15 Plaintiff,
vs. 11 Civ. 6198
16 (DLC)
GOLDMAN, SACHS & CO., et al.,
17 Defendants.
-----x
18 FEDERAL HOUSING FINANCE
AGENCY, etc.,
19 Plaintiff,
vs. 11 Civ. 6200
20 (DLC)
CREDIT SUISSE HOLDINGS
21 (USA), Inc., et al.,
Defendants.
22 -----x
23
24
25

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1 -----x
FEDERAL HOUSING FINANCE
2 AGENCY, etc.,
Plaintiff,
3 vs. 11 Civ. 6201
(DLC)
4 NOMURA HOLDING AMERICA,
INC., et al.,
5 Defendants.

-----x
6 FEDERAL HOUSING FINANCE
AGENCY, etc.,
7 Plaintiff,
8 vs. 11 Civ. 6202
(DLC)
9 MERRILL LYNCH & CO.,
INC., et al.,
10 Defendants.

-----x
11 FEDERAL HOUSING FINANCE
AGENCY, etc.,
12 Plaintiff,
13 vs. 11 Civ. 6203
(DLC)
14 SG AMERICAS, INC., et al.,
Defendants.

-----x
15 FEDERAL HOUSING FINANCE
AGENCY, etc.,
16 Plaintiff,
17 vs. 11 Civ. 6739
(DLC)
18 MORGAN STANLEY, et al.,
Defendants.

-----x
19 FEDERAL HOUSING FINANCE
AGENCY, etc.,
20 Plaintiff,
21 vs. 11 Civ. 7010
(DLC)
22 ALLY FINANCIAL INC., et al.,
Defendants.

-----x

23
24
25

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1 IN THE UNITED STATES DISTRICT COURT
2 DISTRICT OF CONNECTICUT
-----x
3 FEDERAL HOUSING FINANCE
AGENCY, etc.,
4 Plaintiff, Case No.
vs. 3:11-cv-01383-AWT
5
6 THE ROYAL BANK OF SCOTLAND
GROUP PLC, et al.,
Defendants.
7 -----x

8
9 VOLUME 1
10

11 June 6, 2013
12

13 9:15 a.m.
14
15

16 Videotaped deposition of MICHAEL H.
17 ANEIRO, held at the offices of Williams &
18 Connolly LLP, 725 Twelfth Street, N.W.,
19 Washington, D.C., before Gail F. Schorr,
20 a Certified Shorthand Reporter, Certified
21 Realtime Reporter and Notary Public
22 within and for the State of New York.
23
24
25

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1 MR. BATHAEE: That's correct. 13:11:51

2 MR. COREY: It was unclear 13:11:52

3 from the representation, or the 13:11:54

4 representation and the discussion 13:11:55

5 of the exhibit. 13:11:56

6 MS. SHANE: I think there was 13:12:02

7 a request to break for lunch which 13:12:03

8 I'm happy to do, and we'll see you 13:12:05

9 after lunch. 13:12:07

10 THE VIDEOGRAPHER: We're going 13:12:08

11 off the record, the time is 1:12 13:12:09

12 p.m. 13:12:11

13 (Luncheon recess: 1:12 p.m.) 13:12:12

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1 A F T E R N O O N S E S S I O N 14:09:31

2 2:12 p.m. 14:10:04

3 THE VIDEOGRAPHER: We are back 14:12:34

4 on the record, the time is 2:12 14:12:39

5 p.m. 14:12:41

6 MICHAEL H. ANEIRO, 14:12:41

7 resumed, having been previously 14:12:41

8 duly sworn, was examined and 14:12:41

9 testified further as follows: 14:12:41

10 EXAMINATION BY MS. DAVIDOFF: 14:12:43

11 Q. Good afternoon, Mr. Aneiro. 14:12:43

12 My name is Amanda Davidoff, we just met, 14:12:45

13 and I'm going to ask you some more 14:12:48

14 questions. I represent First Horizon and 14:12:50

15 Nomura in the cases we're here about 14:12:53

16 today, but these questions are going to 14:12:55

17 be on behalf of all defendants. 14:12:57

18 Do you understand that the 14:12:59

19 same rules that Ms. Shane discussed this 14:13:00

20 morning for asking questions and giving 14:13:03

21 verbal responses still apply? 14:13:06

22 A. I do. 14:13:07

23 Q. Now when I speak about a 14:13:08

24 purchase today I'll be referring to a new 14:13:11

25 trade commitment. Does that make sense 14:13:14

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1	to you?	14:13:16
2	A. It does.	14:13:16
3	Q. And in the years 2005, 2006	14:13:16
4	and 2007 how did Freddie Mac learn about	14:13:20
5	a new potential trade commitment?	14:13:24
6	A. We would receive a message	14:13:26
7	from the dealer that was offering the	14:13:29
8	deal.	14:13:32
9	Q. Who would receive the message?	14:13:33
10	A. Me or one of my team.	14:13:35
11	Q. Somebody on the nonagency	14:13:37
12	desk?	14:13:42
13	A. Correct.	14:13:42
14	Q. And how was a potential new	14:13:43
15	purchase assigned to a particular trader?	14:13:46
16	MR. COREY: Objection; form.	14:13:54
17	A. We didn't have a systematic	14:13:56
18	decision.	14:13:57
19	Q. Was it just -- would the	14:13:58
20	potential new purchase be considered by	14:13:59
21	the trader who received the message from	14:14:01
22	the dealer?	14:14:03
23	A. No. The -- it would normally	14:14:03
24	-- Dave Hackney would normally be the	14:14:10
25	primary person that would work on it	14:14:13

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1 because he was the senior-most person, 14:14:15
2 but all people would have, most likely 14:14:17
3 have some involvement in the deal. 14:14:19

4 Q. So all people on the nonagency 14:14:21
5 desk would have some involvement in any 14:14:24
6 particular PLS deal? 14:14:26

7 A. Very likely. 14:14:28

8 MS. DAVIDOFF: I'd like to 14:14:34
9 mark a document Bates stamped FHFA 14:14:36
10 1002820 to 2897 as Exhibit 0205. 14:14:39

11 (Deposition Exhibit 5205 for 14:14:56
12 identification, Bates stamped FHFA 14:14:38
13 1002820 through 2897.) 14:14:39

14 Q. So you've been handed what's 14:15:23
15 marked, what's been marked as Exhibit 14:15:25
16 5205, which contains a number of 14:15:27
17 documents beginning with a new trade 14:15:30
18 document dated April 26th, 2011 for a 14:15:32
19 deal called NHELI 2007-3 tranche 1A1; is 14:15:38
20 that correct? 14:15:46

21 A. Yes. 14:15:46

22 Q. These were produced as a 14:15:46
23 single document by Freddie Mac. Could 14:15:48
24 you tell me what this is, this package of 14:15:52
25 documents? 14:15:54

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1 MR. COREY: Objection; form. 14:15:55

2 A. This is the -- what we'd call 14:15:56

3 trade ticket and the trade documentation. 14:15:59

4 Q. Trade ticket and trade 14:16:04

5 documentation. Have you ever heard the 14:16:06

6 term a trade package? 14:16:08

7 A. Certainly a reasonable term. 14:16:09

8 I don't recall if I heard of it. 14:16:10

9 Q. So the trade ticket is the 14:16:11

10 front page? 14:16:13

11 A. Yes. 14:16:14

12 Q. And the rest of the document 14:16:14

13 is the trade documentation? 14:16:16

14 A. Well, I didn't look through 14:16:19

15 the rest of the documentation, so I can't 14:16:20

16 affirm that. 14:16:23

17 Q. Why don't you just take a scan 14:16:23

18 through it and see if that looks to you 14:16:25

19 like a trade ticket and its accompanying 14:16:27

20 trade documentation? 14:16:30

21 A. Okay. 14:19:48

22 Q. Does that look like the trade 14:19:49

23 ticket and accompanying trade document 14:19:50

24 facial for the NHELI 2007-3 certificate 14:19:52

25 purchased by Freddie Mac? 14:19:57

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1	Mr. Hackney?	14:21:50
2	MR. COREY: Objection; form.	14:21:52
3	A. These are abbreviations that I	14:21:54
4	would not say are standard terms. My	14:21:56
5	assumption is conforming stratifications	14:22:01
6	and aggregate stratifications for a deal.	14:22:02
7	Q. And what are the conforming	14:22:07
8	stratifications for a deal?	14:22:08
9	MR. COREY: Same objection.	14:22:14
10	A. Usually conforming usually	14:22:15
11	referred to loans meeting the charter	14:22:17
12	requirements for Freddie Mac and Fannie	14:22:20
13	Mae.	14:22:24
14	Q. And what are the aggregate	14:22:24
15	stratifications?	14:22:26
16	A. That would have been all the	14:22:27
17	loans in the deal.	14:22:28
18	Q. And what information would be	14:22:29
19	in the conforming stratifications for a	14:22:30
20	deal?	14:22:33
21	MR. COREY: Objection; form.	14:22:36
22	A. It would -- everything would	14:22:38
23	be, based on the specifics here, whatever	14:22:43
24	someone's sending, but it would tend to	14:22:46
25	be things like LTV, FICO, owner	14:22:48

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1 occupancy, basically the WAC, the WAM, if 14:22:51
2 you're familiar with those terms, the 14:22:55
3 general loan characteristics of a deal 14:22:56
4 for the loans that are, that meet charter 14:22:59
5 eligibility for the GSEs. 14:23:02

6 Q. In what way would the general 14:23:04
7 loan characteristics of the deal be 14:23:06
8 provided? 14:23:07

9 A. From what I recall, each 14:23:11
10 dealer had their own way of sending it 14:23:12
11 over. I mean I don't remember an 14:23:14
12 industry standard for how the things were 14:23:16
13 delivered or displayed. 14:23:21

14 Q. Would it be an average value 14:23:22
15 for the entire conforming, conforming 14:23:25
16 portion of the deal, average LTV? 14:23:30

17 A. As opposed to what? 14:23:31

18 Q. As opposed to some more 14:23:33
19 granular information like you were 14:23:36
20 talking about this morning? 14:23:37

21 MR. COREY: Objection; form. 14:23:39

22 A. It could be both. 14:23:40

23 Q. And if the information -- 14:23:41
24 okay. And if the information was more 14:23:42
25 granular, would that be loan-by-loan 14:23:44

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1 information, or how would it be provided? 14:23:46

2 A. It would not be loan-by-loan 14:23:47

3 information. It would be some level of 14:23:49

4 less than a one line average. 14:23:50

5 Q. If you read down in the email 14:23:57

6 there's an email from Sam Luk to Steve 14:24:00

7 Mayer that says "Attached are strats and 14:24:03

8 a loan level tape for the conforming 14:24:06

9 Freddie group for this deal." 14:24:09

10 Do you know what a loan level 14:24:11

11 tape is? 14:24:12

12 A. In general, a loan level tape 14:24:14

13 refers to information on loan level basis 14:24:17

14 for loans. 14:24:21

15 Q. So if a loan level tape were 14:24:23

16 provided for a deal that would contain 14:24:29

17 loan level information about the deal? 14:24:31

18 MR. COREY: Objection; form. 14:24:34

19 A. That seems like a reasonable 14:24:35

20 expectation. 14:24:37

21 Q. Turn next to a -- let's turn 14:24:38

22 next to a page ending 2843 in the same 14:24:46

23 exhibit, Exhibit 5205. So you're going 14:24:50

24 to move backwards by one page. I saw you 14:25:00

25 looking at this earlier with some detail. 14:25:02

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1 Can you tell me what this is? 14:25:05

2 A. This is a report provided from 14:25:07

3 our affordable housing group that shows 14:25:09

4 the percent rate of affordable housing 14:25:11

5 goals per various individual goals that 14:25:16

6 pertain to the deal and results where 14:25:22

7 loans meet the following requirements. 14:25:26

8 So -- 14:25:30

9 Q. Why was this done? 14:25:31

10 A. To have an understanding of 14:25:32

11 what the benefit in terms of housing 14:25:33

12 goals may exist in the deal. 14:25:36

13 Q. And was this done on the basis 14:25:39

14 of the conforming pool or the aggregate 14:25:41

15 pool? 14:25:44

16 A. I don't recall. Results from 14:25:44

17 the entire pool certainly makes it sound 14:25:46

18 like the aggregate pool. 14:25:48

19 Q. When was this done? At what 14:25:50

20 time in the course of a pre-deal analysis 14:25:54

21 was this done? 14:25:57

22 MR. COREY: Objection; form. 14:25:58

23 A. I don't think there was any 14:25:59

24 specific time within -- there was no set 14:26:01

25 schedule as to when it took place per 14:26:04

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1 5205; is that correct? 14:37:40

2 A. Appears that way, yes. 14:37:43

3 Q. And if you turn to the next 14:37:44

4 page, and I'm sorry, I realize there's a 14:37:48

5 blue sheet, I'm not sure that -- we 14:37:50

6 attempted to divide these up in some 14:37:53

7 recognizable way, but our understanding 14:37:55

8 based on how this was produced, and 14:37:58

9 again, it was just produced as a single 14:38:00

10 document, is that Bates page FHFA 14:38:02

11 04592877 was actually at the bottom of 14:38:09

12 the email we just looked at. Does that 14:38:16

13 make sense to you? 14:38:18

14 A. That whole sentence you just 14:38:19

15 said? 14:38:22

16 Q. Right. Well, to find a credit 14:38:22

17 approved chart at the bottom of a credit 14:38:26

18 approval email? 14:38:28

19 MR. COREY: Objection; form. 14:38:31

20 A. You'll have to ask that 14:38:34

21 question again. 14:38:35

22 Q. Okay. On what was your 14:38:36

23 approval of the NHELI 2007-3 purchase 14:38:38

24 based? 14:38:43

25 A. I don't recall the specific 14:38:43

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1 approval for this deal, so I can't tell 14:38:47

2 you what this deal was based on. 14:38:49

3 Q. Generally, when you gave 14:38:50

4 credit approval for a deal, was it based 14:38:52

5 on something? 14:38:54

6 A. I did not give credit approval 14:38:55

7 for deals. 14:38:57

8 Q. So your email at the time of, 14:38:59

9 or your April 26th, 2007 email is not a 14:39:06

10 credit approval email? 14:39:09

11 A. Correct. 14:39:10

12 Q. What is it? 14:39:10

13 A. It is a purchase approval. 14:39:11

14 Q. Somebody else approved the 14:39:13

15 credit? 14:39:15

16 A. Correct. 14:39:16

17 Q. And who approved the credit? 14:39:16

18 A. The credit group. 14:39:18

19 Q. Who's that? 14:39:19

20 A. I don't -- as I said, things, 14:39:20

21 people changed over time. I don't 14:39:24

22 recall. Certainly Chad Levrini was part 14:39:27

23 of that credit group, Kevin Palmer I 14:39:29

24 believe was, and I don't recall at this 14:39:32

25 point whether Frank Vetrano was or was 14:39:33

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1 not the head of that group. 14:39:36

2 Q. What was your purchase 14:39:38

3 approval based on? 14:39:41

4 MR. COREY: Objection to form. 14:39:44

5 A. A number of things. 14:39:45

6 Q. Go ahead. 14:39:46

7 A. That was my answer. 14:39:46

8 Q. Can you tell me what they are? 14:39:48

9 A. I can't recall all the 14:39:50

10 different details. Credit approval would 14:39:53

11 certainly be one of them. 14:39:55

12 Q. Anything else? 14:39:56

13 A. Interest rate risk evaluation, 14:39:59

14 return on equity hurdle. 14:40:01

15 Q. Anything else? 14:40:12

16 A. Not that I recall. 14:40:13

17 Q. Let's turn back to Exhibit 14:40:14

18 5205, Bates page ending 2847. 14:40:40

19 MR. COREY: Are we going to 14:40:56

20 come back to 5206? 14:40:57

21 MS. DAVIDOFF: We might. It's 14:41:01

22 the only place we have that credit 14:41:02

23 approval spreadsheet. 14:41:04

24 MR. COREY: I'm sorry, where 14:41:05

25 are we going in 5205? 14:41:06

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1 MS. DAVIDOFF: 2847. 14:41:11

2 Q. This is an email from Steven 14:41:12

3 Mayer to David Hackney dated April 26th, 14:41:13

4 2007; is that correct? 14:41:16

5 A. Yes. 14:41:18

6 Q. And what is this? 14:41:19

7 A. This is an email from Steve 14:41:24

8 Mayer confirming that he got it in terms 14:41:25

9 of Dave Hackney's email to Steve. 14:41:27

10 MR. COREY: Objection; form. 14:41:30

11 Sorry. 14:41:32

12 Q. What is he confirming? What 14:41:32

13 is Mr. Mayer confirming? 14:41:34

14 A. Mr. Mayer is confirming that 14:41:36

15 he received Dave Hackney's email. 14:41:38

16 Q. Is he confirming that he 14:41:41

17 received Hackney's email asking him to 14:41:42

18 confirm that he read Freddie Mac's 14:41:46

19 current investment requirements? 14:41:50

20 MR. COREY: Objection; form. 14:41:54

21 A. Yes. 14:41:55

22 Q. Let's turn to the two pages 14:41:55

23 before this page, FHFA 01002845 to 846. 14:42:07

24 Can you tell me what these are? 14:42:17

25 MR. COREY: Objection; form. 14:42:20

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1 Q. Let me try to help since 14:42:24
2 they're difficult to read in the form 14:42:26
3 they were produced. Are these Bloomberg 14:42:28
4 messages dated April 26th, 2007 at 4:10 14:42:32
5 p.m. and 4:19 p.m. between Steve Mayer of 14:42:36
6 Lehman Brothers and David Hackney of 14:42:39
7 Freddie Mac? 14:42:41

8 A. Yes. 14:42:42

9 MR. COREY: Objection to form. 14:42:43

10 Q. Do you see the notation at the 14:42:44
11 bottom of each of these messages that 14:42:47
12 says "Targeting low mod sub-goals for 14:42:50
13 owner occupied purchase"? 14:42:54

14 A. I do see that. 14:42:56

15 Q. What does that mean? 14:42:57

16 MR. COREY: Objection; form. 14:42:59

17 A. That means that Lehman 14:43:01
18 Brothers is targeting low mod sub-goals 14:43:02
19 for owner occupied purchase. 14:43:05

20 Q. What does it mean to target 14:43:06
21 low mod sub-goals? 14:43:09

22 MR. COREY: Same objection. 14:43:11

23 A. There was a benefit for us to 14:43:11
24 have affordable housing loans in our 14:43:13
25 deal, in our side of the deal, in our 14:43:16

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1 bond and that is his targeting, what he's 14:43:18

2 targeting to try to increase that for us. 14:43:21

3 Q. Does that mean that Lehman put 14:43:24

4 the deal together for Freddie Mac? 14:43:26

5 MR. COREY: Objection; form. 14:43:28

6 A. I don't recall a specific 14:43:30

7 deal, but I'm pretty sure the answer is 14:43:31

8 no. 14:43:32

9 Q. Next I'd like to look at four 14:43:37

10 charts and we're going to move backwards 14:43:40

11 again, Bates range ending 2831 to 34. 14:43:42

12 These are four charts entitled NHELI 14:44:01

13 2007-3 available funds cap, NHELI 2007-3 14:44:04

14 fixed rate first lien CPR analysis, NHELI 14:44:08

15 2007-3 floating rate CPR analysis, and 14:44:13

16 NHELI 2007-3 fixed rate second lien 14:44:17

17 analysis; is that correct? 14:44:20

18 A. Correct. 14:44:22

19 Q. What are these? 14:44:23

20 A. The first -- 14:44:24

21 MR. COREY: Objection; form. 14:44:29

22 A. The first one is a graph with 14:44:30

23 expectations of what the available funds 14:44:32

24 cap would be for these bonds in the deal. 14:44:34

25 Q. What is that chart used for, 14:44:41

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1	graph used for?	14:44:43
2	A. To understand interest rate	14:44:44
3	risk.	14:44:46
4	Q. Okay. And what's the next	14:44:46
5	one, fixed rate first lien CPR analysis?	14:44:49
6	A. That's the model's expectation	14:44:51
7	of prepay speeds on the fixed rate loans	14:44:54
8	on the deal.	14:44:59
9	Q. And how is that chart created?	14:44:59
10	MR. COREY: Objection; form.	14:45:07
11	A. The aggregate weighted average	14:45:08
12	loan characteristics would be run through	14:45:11
13	Mortgage Pricer, Freddie Mac's analytics.	14:45:15
14	And in --	14:45:20
15	Q. I'm sorry, go ahead. I	14:45:21
16	thought you were finished.	14:45:23
17	A. And then, you know, the output	14:45:24
18	would be graphed.	14:45:26
19	Q. And which characteristics were	14:45:26
20	used to create this graph?	14:45:28
21	A. The prepayment speeds are the	14:45:32
22	CPR rates that were produced from Freddie	14:45:34
23	Mac's prepay model.	14:45:40
24	Q. I thought you, I may just be	14:45:45
25	getting confused, I thought you said that	14:45:47

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1	certain loan characteristics of the loans	14:45:49
2	in the deal would be run through Mortgage	14:45:50
3	Pricer and the output was the graph	14:45:53
4	called fixed rate first lien CPR	14:45:54
5	analysis; is that correct?	14:45:57
6	MR. COREY: Objection; form.	14:45:58
7	A. Yes.	14:46:00
8	Q. Which characteristics of the	14:46:00
9	loans would be used in that analysis?	14:46:03
10	A. Primarily the weighted average	14:46:06
11	coupon, in other words, the weighted	14:46:11
12	average interest rate on the deal, and	14:46:14
13	the -- the term, the weighted average	14:46:15
14	mortgage, or the weighted average	14:46:23
15	maturity.	14:46:25
16	Q. Anything else, were any other	14:46:26
17	characteristics used to calculate the	14:46:29
18	fixed rate first lien CPR analysis?	14:46:30
19	A. Those were the primary	14:46:34
20	attributes. I don't recall if the deal,	14:46:36
21	if the model accepted other things.	14:46:37
22	Q. Okay. And the next chart on	14:46:39
23	2833 is the floating rate CPR analysis.	14:46:44
24	I think I know the answer to this, but	14:46:50
25	what is that?	14:46:52

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1 A. It is the CPR, the prepayment 14:46:52
2 rate expectation from the Freddie Mac 14:46:56
3 model on the prepay speeds for the 14:46:59
4 adjustable rate mortgages. 14:47:02

5 Q. And how was that created? 14:47:03

6 A. The same way, take the 14:47:05
7 weighted average maturity, the weighted 14:47:08
8 average interest rate and then of course 14:47:10
9 the features to adjustable rate mortgages 14:47:12
10 like next reset, first reset, next reset, 14:47:16
11 caps on the resets. 14:47:19

12 Q. Anything else? 14:47:27

13 A. There may have been more 14:47:27
14 features, but those are the primary 14:47:28
15 drivers. 14:47:31

16 Q. If you wanted to find out what 14:47:31
17 characteristics of the loans were used to 14:47:35
18 create these charts, how would you do 14:47:37
19 that? 14:47:38

20 MR. COREY: Objection; form. 14:47:39

21 A. I guess I would have to go 14:47:40
22 back to Freddie Mac and ask them what 14:47:42
23 goes in the model, or did at that point. 14:47:44

24 Q. But your understanding is that 14:47:45
25 the primary characteristics were the 14:47:48

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1 weighted average coupon and the term, and 14:47:52
2 for the floating rate analysis it would 14:47:55
3 be additional characteristics related to 14:48:00
4 the features of adjustable rate 14:48:04
5 mortgages, such as the first reset, the 14:48:07
6 next reset, the caps on the resets; is 14:48:09
7 that correct? 14:48:12

8 MR. COREY: Same objection. 14:48:12

9 A. Correct. 14:48:13

10 Q. And the last chart on 2834 is 14:48:14
11 the fixed rate second lien analysis. Can 14:48:19
12 you please tell me what that is? 14:48:22

13 A. Similar to the first, the 14:48:23
14 first two graphs, is the model's 14:48:25
15 expectation of prepay speeds on the 14:48:29
16 second lien loans. 14:48:31

17 Q. And how was that created? 14:48:33

18 A. Same way. You know, entering 14:48:35
19 the WAC and WAM, periodic caps, next 14:48:39
20 reset and what-not and coming up with 14:48:49
21 prepay expectations. 14:48:50

22 Q. Was that information entered 14:48:51
23 manually into Mortgage Pricer? 14:48:53

24 A. I think so, yes. 14:48:55

25 Q. Who would do that entry? 14:49:00

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1 A. Just to get a general sense of 14:50:11
2 where the mark was at the time of trade. 14:50:13

3 Q. Why was that useful? 14:50:19

4 A. It wasn't terribly useful for 14:50:20
5 floaters. It was a standard, standard 14:50:30
6 item that was put in, but it really had 14:50:34
7 more to do with fixed rate investments 14:50:36
8 than floating rate investments. But it 14:50:39
9 just became a standard for us to include 14:50:41
10 it as general information on the market. 14:50:43

11 Q. It was something that you 14:50:44
12 generally included in a trade, in the 14:50:46
13 trade documentation for a trade ticket? 14:50:48

14 A. On what -- 14:50:51

15 MR. COREY: Objection; form. 14:50:54

16 A. I think we went through a lot 14:50:55
17 of this already, the trade ticket, the 14:50:57
18 Mortgage Pricer output, the credit 14:51:00
19 approval. 14:51:02

20 Q. Oh, sorry, no, I was saying 14:51:02
21 and this Reuters screen print was 14:51:04
22 something you generally included in the 14:51:07
23 trade documentation? 14:51:08

24 A. We -- sorry. We generally 14:51:09
25 included it just because it was general 14:51:11

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1 A. Conversations with people. 14:53:45

2 Q. What people? 14:53:46

3 A. The market. 14:53:51

4 MR. COREY: We're having one 14:53:55

5 of those metaphysical 14:53:56

6 question/answer things going on. 14:53:59

7 Q. Could it be the dealer who you 14:54:00

8 would have a conversation with who would 14:54:02

9 tell you what the price was going to be 14:54:03

10 for the bond? 14:54:04

11 MR. COREY: Objection; form. 14:54:05

12 A. It would be many dealers. 14:54:07

13 It's the market. 14:54:08

14 Q. So there was one price for a 14:54:14

15 bond, the price was not negotiable? 14:54:16

16 A. The market is, by the term 14:54:18

17 market, it is all negotiable. It is 14:54:20

18 negotiable, everything's negotiable and 14:54:22

19 it's defined by the market. 14:54:25

20 Q. Okay. When was the first time 14:54:26

21 Freddie Mac received the price for a 14:54:31

22 bond? 14:54:35

23 MR. COREY: Objection; form. 14:54:35

24 A. We didn't receive prices. We 14:54:37

25 received offerings. Buyers bid and 14:54:40

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1 sellers offer. But we don't receive a 14:54:44

2 price. The price is what we pay for it. 14:54:48

3 Q. So Freddie Mac made a bid for 14:54:51

4 a bond at a particular price? 14:54:53

5 MR. COREY: Same objection. 14:54:59

6 A. We would -- we would -- 14:55:00

7 someone would offer that's selling and 14:55:01

8 then we would let them know what you're 14:55:03

9 bid is. 14:55:06

10 Q. So somebody made an offer at a 14:55:09

11 particular price? 14:55:10

12 A. Yes. 14:55:11

13 Q. And Freddie Mac would make a 14:55:11

14 bid, correct? 14:55:13

15 A. Correct. 14:55:15

16 Q. At that same price? 14:55:15

17 A. Not necessarily. 14:55:19

18 Q. Okay. Sometimes at a 14:55:20

19 different price? 14:55:22

20 A. Yes. 14:55:23

21 Q. And how would it determine 14:55:23

22 what price to bid for a security, for a 14:55:25

23 PLS? 14:55:29

24 A. Its level of interest in 14:55:29

25 buying, what other assets are trading at 14:55:34

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1 at the time. 14:55:37

2 Q. Did Freddie Mac rely on any 14:55:53

3 models to determine what price to bid at? 14:55:55

4 A. Mortgage Pricer was a model 14:55:58

5 that determined interest rate risk and 14:56:02

6 that certainly had an effect on what our 14:56:04

7 bid would be. 14:56:07

8 Q. Any other models or tools -- 14:56:07

9 MR. COREY: Objection. 14:56:13

10 Q. -- that impacted the price at 14:56:14

11 which Freddie Mac would bid? 14:56:16

12 MR. COREY: Objection; form. 14:56:17

13 A. No. 14:56:20

14 Q. Let's go to 2822, one page 14:56:21

15 back from the beginning of what we just 14:56:32

16 looked at, still in Exhibit 5205. Can 14:56:33

17 you tell me what this is? 14:56:39

18 A. This is the ROE calculator. 14:56:40

19 Q. And what is that? 14:56:44

20 A. It's a calculator that 14:56:45

21 calculates the expected return on equity 14:56:50

22 of a bond. 14:56:52

23 Q. What's the return on equity of 14:56:55

24 a bond? 14:56:58

25 A. It's been a long time since I 14:56:58

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1 looked at this. This says 21.95 percent. 14:57:02

2 Q. For this particular bond the 14:57:06

3 return on equity is 21.95 percent, right? 14:57:07

4 A. That's what the paper says. 14:57:11

5 Q. This was done on April 26th, 14:57:13

6 2007 at 4:29 p.m., the return on equity 14:57:18

7 calculator was created, or prepared at 14:57:24

8 4:29 p.m. on April 26th, 2007; is that 14:57:29

9 right? 14:57:32

10 A. Yes. 14:57:32

11 Q. That's one minute after the 14:57:32

12 Mortgage Pricer, the second Mortgage 14:57:38

13 Pricer report was created? 14:57:40

14 A. I would have to go back to 14:57:41

15 look at that sheet. 14:57:42

16 Q. Sure. 14:57:44

17 A. What page is it? 14:57:44

18 Q. It was just the next page. 14:57:46

19 A. Okay. Okay, seems that way, 14:57:47

20 yes. 14:58:01

21 Q. So the Mortgage Pricer reports 14:58:02

22 were done and then the ROE calculator was 14:58:04

23 prepared? 14:58:10

24 A. That was run a minute later, 14:58:12

25 yes. 14:58:16

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1 Q. Yes. Is that how, generally 14:58:16
2 how the sequence of events for a PLS deal 14:58:19
3 in 2005, 2006, 2007? 14:58:23

4 A. This is -- 14:58:27

5 MR. COREY: Objection to form. 14:58:28

6 A. This is not the sequence of 14:58:29
7 events. This is the sequence of printing 14:58:31
8 out items for a trade ticket. We 14:58:33
9 evaluated the return on equity long 14:58:35
10 before this. 14:58:37

11 Q. I see. 14:58:37

12 A. But to accumulate the trade 14:58:38
13 ticket packet someone ran one before they 14:58:41
14 ran the other. Mortgage Pricer needs to 14:58:44
15 be run before the ROE calculator. 14:58:46

16 Q. Mortgage Pricer needs to be 14:58:49
17 run before the ROE calculator, but you're 14:58:51
18 saying that the date reflected on the ROE 14:58:53
19 calculator is not necessarily the date it 14:58:56
20 was run? 14:58:58

21 A. No, what I said was we would 14:58:58
22 evaluate the return on equity before, 14:59:00
23 long before this so it's not the first 14:59:03
24 time it was run. 14:59:07

25 Q. I see, okay. So where there 14:59:07

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1 refers to, this document refers to when
2 it compares LIBOR and agency and lists
3 certain characteristics for each?

15:01:25

15:01:28

15:01:33

4 A. I do.

15:01:35

5 Q. What is that?

15:01:35

6 A. It was comparing, comparing
7 return, or comparing OAS to two different
8 yield curves. OAS compared to the agency
9 yield curve and OAS compared to the LIBOR
10 yield curve.

15:01:36

15:01:43

15:01:49

15:01:53

15:01:57

11 Q. And how were the numbers on
12 these two lines of the chart, the LIBOR
13 line and the agency line created?

15:01:58

15:01:59

15:02:03

14 MR. COREY: Objection; form.

15:02:06

15 A. I believe it was calculated in
16 Mortgage Pricer, but it's been awhile,
17 I'm not -- I'm not -- I don't recall how.

15:02:07

15:02:10

15:02:11

18 Q. And then if we move back one
19 page to the very first page of Exhibit
20 5205, this, as we said, is the trade
21 ticket, correct?

15:02:13

15:02:22

15:02:25

15:02:28

22 A. Correct.

15:02:28

23 Q. And this is dated April 26th,
24 2007, correct?

15:02:29

15:02:32

25 A. Correct.

15:02:35

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1	Q.	Which is the same date as the	15:02:35
2		ROE calculator and the Mortgage Pricer	15:02:40
3		reports we just looked at; is that right?	15:02:44
4	A.	I believe so, yes.	15:02:45
5	Q.	I see some signatures, do you	15:02:48
6		see some signatures at the top of the	15:02:50
7		page?	15:02:52
8	A.	I do.	15:02:52
9	Q.	Whose signatures are those?	15:02:52
10	A.	David Hackney and mine.	15:02:54
11	Q.	And why has David Hackney	15:02:55
12		signed this trade ticket?	15:02:57
13		MR. COREY: Objection; form.	15:02:59
14	A.	He, normally his signature	15:03:00
15		would go on if he was the lead trader in	15:03:03
16		evaluating the deal, managing the deal.	15:03:06
17	Q.	And why is your signature on	15:03:08
18		the trade ticket?	15:03:10
19	A.	Because I was the head of the	15:03:11
20		portfolio and I would -- I would look at	15:03:13
21		every deal.	15:03:14
22	Q.	Okay. When you say you looked	15:03:15
23		at every deal, do you mean you looked at	15:03:19
24		every deal that the nonagency desk	15:03:21
25		purchased?	15:03:26

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1 A. It was my practice to. If I 15:03:27
2 was there, then most likely I looked at 15:03:28
3 the deal. 15:03:30

4 Q. Whether or not your signature 15:03:31
5 appeared at the top of the trade ticket? 15:03:32

6 A. Yes. 15:03:36

7 Q. Can you tell me what a 15:03:36
8 prospectus supplement is? 15:03:46

9 MR. COREY: Objection; form. 15:03:47

10 A. I couldn't give you a very 15:03:49
11 good answer to it. 15:03:50

12 Q. At some point after a PLS new 15:03:51
13 trade commitment did Freddie Mac receive 15:03:57
14 a prospectus supplement for a deal? 15:03:59

15 MR. COREY: Objection; form. 15:04:01

16 A. I believe so. 15:04:02

17 Q. So is it fair to say that 15:04:03
18 before a PLS purchase occurred, the 15:04:07
19 following steps took place: A dealer 15:04:12
20 provides strats for the Freddie loans and 15:04:18
21 for the aggregate loans to a trader; is 15:04:23
22 that right? 15:04:25

23 A. Yes. 15:04:25

24 Q. And Freddie Mac runs the deal 15:04:26
25 through Mortgage Pricer; is that right? 15:04:33

1	A.	Correct.	15:04:35
2	Q.	And runs the ROE calculator;	15:04:36
3		is that right?	15:04:39
4	A.	Correct.	15:04:40
5	Q.	And conducts a housing goals	15:04:40
6		analysis, right?	15:04:43
7	A.	Correct.	15:04:44
8	Q.	Determines which prepayment	15:04:45
9		models to use?	15:04:53
10	A.	I think that would be a step.	15:04:55
11		MR. COREY: Objection; form.	15:04:58
12	A.	Before using Mortgage Pricer.	15:04:59
13	Q.	Conducts a credit analysis?	15:05:01
14	A.	Correct.	15:05:06
15	Q.	There has to be a credit	15:05:07
16		approval for the deal; is that correct?	15:05:09
17	A.	Correct.	15:05:11
18	Q.	And then the trade is	15:05:16
19		finalized on a trade ticket? Well I	15:05:18
20		guess first the trade is communicated to	15:05:22
21		the dealer; is that right?	15:05:24
22	A.	Correct.	15:05:32
23	Q.	And then the trade is	15:05:32
24		finalized on a trade ticket?	15:05:33
25	A.	Correct.	15:05:34

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1	Q.	And then Freddie Mac receives	15:05:35
2		a prospectus supplement; is that right?	15:05:36
3	A.	I don't recall the timing of	15:05:37
4		the supplement.	15:05:39
5	Q.	Okay. Was anything else	15:05:39
6		required before a PLS trade could occur?	15:05:55
7		MR. COREY: Objection; form.	15:05:58
8	A.	I don't recall.	15:06:00
9	Q.	You don't recall whether	15:06:01
10		anything else was required?	15:06:03
11	A.	Correct.	15:06:05
12	Q.	Okay. Can you sitting here	15:06:05
13		today, can you think of anything else	15:06:08
14		that was required before a PLS deal could	15:06:09
15		occur?	15:06:12
16		MR. COREY: Same objection.	15:06:13
17	A.	I can't.	15:06:14
18	Q.	Are you familiar with the term	15:06:15
19		transaction viability analysis?	15:06:18
20	A.	I don't remember those words.	15:06:21
21	Q.	Okay. Are you familiar with	15:06:23
22		the term and I think you mentioned it	15:06:39
23		this morning, free writing prospectus?	15:06:40
24	A.	Yes.	15:06:43
25	Q.	What's a free writing	15:06:44

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1 prospectus?

15:06:45

2 MR. COREY: Object to form.

15:06:47

3 A. From what I understand it was
4 the transition from what we originally
5 called a term sheet. There was some sort
6 of SEC ruling that required more
7 oversight or whatever the case may be and
8 somehow it changed into free writing
9 prospectus.

15:06:49

15:06:50

15:06:52

15:06:54

15:07:00

15:07:02

15:07:05

10 Q. What kind of information does
11 a free writing prospectus contain about a
12 PLS deal in the years 2005, 2006, 2007?

15:07:05

15:07:08

15:07:10

13 MR. COREY: Same objection.

15:07:13

14 A. Size of the deal, general
15 waterfall rules of the deal, any type of
16 interest rate risk mitigation like an
17 available funds cap, loan stratifications
18 that would describe the various
19 attributes of the aggregate loan file, or
20 loan, yes, loan information.

15:07:15

15:07:19

15:07:23

15:07:26

15:07:30

15:07:33

15:07:37

21 (Deposition Exhibit 5207 for
22 identification, Bates stamped FHFA
23 13747720 through 7731.)

15:08:21

15:08:21

15:08:21

24 Q. You've been handed what's
25 marked Exhibit 5207 which at the top says

15:08:21

15:08:23

1 that we're purchasing. The preferred 17:50:43

2 yield is on Freddie Mac's preferred stock 17:50:46

3 I believe but I'm not positive -- 17:50:49

4 Q. Oh. 17:50:51

5 A. -- about how the model works. 17:50:52

6 Q. I see. Okay. Down in the, 17:50:54

7 back on the trade ticket, FHFA 04592866, 17:51:03

8 at the very bottom of the general use 17:51:07

9 section there's something that says 17:51:09

10 pricing method, colon, HETP. 17:51:13

11 Do you see that? 17:51:16

12 A. I'm sorry, I don't. Can you 17:51:17

13 tell me again where it is. 17:51:18

14 Q. It's just above delivery 17:51:21

15 instructions at the bottom of the general 17:51:22

16 use section. 17:51:24

17 A. Okay. 17:51:24

18 Q. Do you see that? 17:51:25

19 A. I do. 17:51:26

20 Q. Do you know what that means? 17:51:26

21 A. I don't. 17:51:28

22 Q. Do you know who selects the 17:51:29

23 pricing method? 17:51:30

24 A. I don't remember pricing 17:51:31

25 methods. 17:51:32

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1 Q. You don't remember at all? 17:51:32

2 A. I don't. 17:51:33

3 Q. Would you expect that somebody 17:51:34

4 in the nonagency desk would select the 17:51:35

5 pricing method? 17:51:38

6 MR. COREY: Objection to form. 17:51:39

7 A. I don't recall well enough to 17:51:40

8 be able to guess at that. 17:51:41

9 Q. All right. Now, during 2005 17:51:50

10 to 2007 did Freddie Mac typically receive 17:51:54

11 a prospectus supplement for PLS that it 17:51:58

12 purchased? 17:52:02

13 A. I believe so. 17:52:03

14 Q. When? 17:52:06

15 A. I don't recall. 17:52:08

16 Q. Was it after the trade 17:52:08

17 commitment date? 17:52:11

18 A. I don't recall. 17:52:12

19 Q. What was your practice with 17:52:13

20 respect to prospectus supplements for 17:52:16

21 deals where you were the portfolio 17:52:20

22 manager in charge? 17:52:22

23 MR. COREY: Objection; form. 17:52:25

24 A. I don't recall. I don't 17:52:26

25 recall a policy for it. 17:52:28

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1	Q.	Sorry, I wasn't asking a	17:52:28
2		policy. Your practice for deals where	17:52:31
3		you were the trader, what did you do with	17:52:33
4		prospectus supplements?	17:52:36
5	A.	I don't --	17:52:37
6		MR. COREY: Same objection.	17:52:37
7	A.	I don't recall.	17:52:38
8	Q.	Did you generally read them?	17:52:39
9	A.	The whole prospectus	17:52:42
10		supplement?	17:52:49
11	Q.	Start there, the whole	17:52:49
12		prospectus supplement?	17:52:51
13	A.	No.	17:52:51
14	Q.	Did you generally read any	17:52:51
15		part of a prospectus supplement?	17:52:53
16	A.	I would look -- I would scan	17:52:54
17		through various supplements.	17:52:58
18	Q.	Various supplements meaning	17:53:02
19		you wouldn't scan through every	17:53:04
20		supplement you received?	17:53:06
21	A.	Correct.	17:53:08
22	Q.	But some of them you would	17:53:08
23		scan through?	17:53:10
24	A.	Correct.	17:53:11
25	Q.	For some deals?	17:53:11

1 A. Correct. 17:53:13

2 Q. When you scanned through a 17:53:14

3 prospectus supplement, which parts did 17:53:17

4 you look at? 17:53:19

5 A. I don't recall. 17:53:20

6 Q. Can you recall any parts that 17:53:21

7 you looked at? 17:53:24

8 A. Not really, no. 17:53:24

9 Q. Do you have any understanding 17:53:26

10 of what others in the nonagency group 17:53:28

11 did, what their practices were with 17:53:31

12 respect to prospectus supplements? 17:53:33

13 A. I do not. 17:53:34

14 MR. COREY: Objection; form. 17:53:35

15 Q. Did you expect that the people 17:53:36

16 working under you were reading the 17:53:43

17 prospectus supplement for every deal they 17:53:46

18 traded? 17:53:48

19 A. No. 17:53:48

20 Q. Did you expect that the people 17:53:48

21 who worked under you were reading any 17:53:52

22 part of the prospectus supplement for 17:53:54

23 every deal they traded? 17:53:56

24 A. No. 17:53:57

25 Q. Do you have an understanding 17:54:00

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1 of the practice with respect to 17:54:11
2 prospectus supplements of those who 17:54:15
3 provided the credit approval? 17:54:16

4 A. I'm sorry, one more time. 17:54:21

5 Q. Do you have any understanding 17:54:23
6 of the practice with respect to 17:54:24
7 prospectus supplements of those who 17:54:27
8 provided credit approval for PLS deals? 17:54:28

9 MR. COREY: Objection; form. 17:54:31

10 A. I don't. 17:54:32

11 Q. You don't know if they read 17:54:33
12 the prospectus supplements or not? 17:54:36

13 A. I don't believe they did. 17:54:37

14 Q. Did anyone at Freddie Mac 17:54:38
15 other than a portfolio manager, somebody 17:54:42
16 on the nonagency desk or somebody 17:54:44
17 providing credit approval for a deal read 17:54:46
18 a prospectus supplement? 17:54:48

19 A. Again, I'm sorry, could you 17:54:53
20 repeat that. 17:54:54

21 Q. Did anyone at Freddie Mac -- 17:54:54
22 are you aware of anyone at Freddie Mac, 17:54:56
23 other than the portfolio managers or 17:54:57
24 those providing credit approval for 17:55:00
25 private label securities who read 17:55:02

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1	prospectus supplements?	17:55:04
2	A. The whole, the whole	17:55:05
3	supplement?	17:55:07
4	Q. Yes.	17:55:07
5	A. No.	17:55:07
6	Q. Anyone who read parts of the	17:55:08
7	prospectus supplement?	17:55:10
8	A. I don't recall the difference	17:55:10
9	between a prospectus and a prospectus	17:55:12
10	supplement. I know legal reviewed the	17:55:15
11	requirements that they would be found in	17:55:17
12	the proper documents from the deal, but I	17:55:19
13	don't -- I don't recall really the	17:55:23
14	distinction between supplement and full	17:55:25
15	prospectus.	17:55:28
16	Q. So legal reviewed what	17:55:29
17	requirements?	17:55:35
18	A. The investment requirements.	17:55:35
19	Q. The investment requirements we	17:55:41
20	were just looking at?	17:55:42
21	MR. COREY: Objection; form.	17:55:43
22	A. Can you just ask the question	17:55:45
23	again.	17:55:47
24	Q. You said "I know legal	17:55:47
25	reviewed the requirements that they would	17:55:49